

Pepperdine Policy Review

Volume 7

Article 6


5-1-2014

Rust-Belt Recovery: The Cleveland Model as Economic Development in an Age of Economic Stagnation and Climate Change

Ross Lenihan

University of California, Los Angeles, rosshb@ucla.edu

Follow this and additional works at: <http://digitalcommons.pepperdine.edu/ppr>

 Part of the [Community Engagement Commons](#), [Econometrics Commons](#), [Economic Theory Commons](#), [Inequality and Stratification Commons](#), [Labor Economics Commons](#), and the [Political Economy Commons](#)

Recommended Citation

Lenihan, Ross (2014) "Rust-Belt Recovery: The Cleveland Model as Economic Development in an Age of Economic Stagnation and Climate Change," *Pepperdine Policy Review*: Vol. 7, Article 6.

Available at: <http://digitalcommons.pepperdine.edu/ppr/vol7/iss1/6>

This Article is brought to you for free and open access by the School of Public Policy at Pepperdine Digital Commons. It has been accepted for inclusion in Pepperdine Policy Review by an authorized administrator of Pepperdine Digital Commons. For more information, please contact Kevin.Miller3@pepperdine.edu.

Rust-Belt Recovery:

The Cleveland Model as Economic Development in an Age of Economic Stagnation and

Climate Change

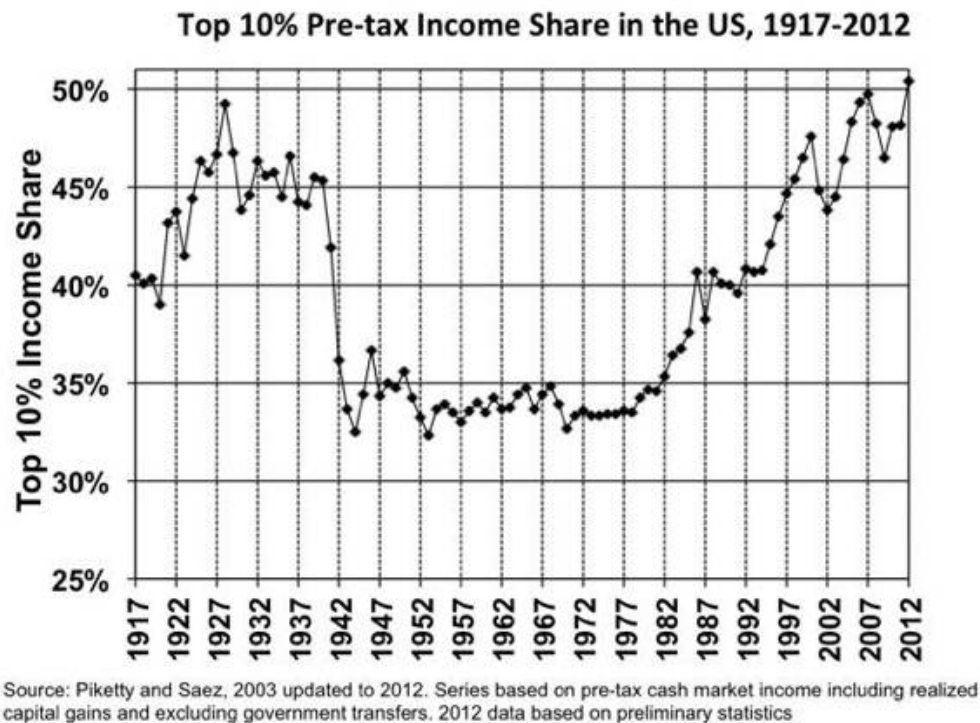
Ross Lenihan¹

Introduction

The economic outlook of the United States is dire. According to the U.S. Census Bureau's supplemental poverty measure, 16% of the U.S. population- nearly 50 million Americans- lived in poverty in 2012.² Perhaps even more ominous, poverty has not lessened even as U.S. Gross Domestic Product (GDP) has rebounded following the Great Recession (U.S. Census Bureau, "Supplemental Measure of Poverty" 2013). Concurrently, income inequality in the United States stands at a historic extreme with the top 10% of income earners taking in over 50% of pre-tax income in 2012 (Saez 2013). Such extreme inequality presents extensive policy challenges for both the goal of broadly responsive democratic governance (Gilens 2012) and community economic development more specifically (Choi 2011).

¹ Ross is a Master of Public Policy student at the Luskin School of Public Affairs at the University of California, Los Angeles.

² The first official U.S. poverty estimates were created in 1964, and there has been a continuing debate about the best approach to measure income and poverty ever since. The original poverty measure compared a family's or individual's before-tax cash income to a set of thresholds that vary by the size and ages of the family members. The new supplemental measure incorporates additional items, such as tax payments, work expenses and in-kind benefits. Thresholds used in the new measure were derived from Consumer Expenditure Survey expenditure data on basic necessities and were adjusted for geographic differences in the cost of housing.



This challenge is made particularly visceral when considering climate change and issues of ecological sustainability (Hansen et al. 2013). Given this continued economic stagnation and the growing threat of ecological catastrophe, economic development models steeped in worker-ownership, which internalize a core ecological focus, have been regaining traction both domestically and abroad, including at the corporate level (Blasti, Freeman, and Kruse 2013). In this paper I analyze one of the most promising such experiments in the United States, the Evergreen Cooperative initiative in Cleveland, Ohio, also referred to as the Cleveland Model. I argue that the Cleveland Model, characterized by larger-scale, worker-and-community owned enterprises³ linked together by a nonprofit corporation, offers promising insights into how

³ Worker-and-community owned enterprises include worker cooperatives, which are typically for-profit businesses jointly owned and democratically run by the employees of a firm, who function as worker-owners. The specific form of organization varies. Community ownership involves community owned assets or organizations controlled through some representative mechanism that allows a community to influence their operation. Examples include community development corporations (CDCs) and community land trusts (CLTs).

economic development can evolve in a manner that addresses both major economic and ecological concerns. I also discuss some of the major market pressures that such cooperative efforts face while operating within the existing global market economy, taking the Mondragón Corporation of Spain, the largest grouping of worker-owned cooperatives in the world and the key inspiration for the Cleveland Model, as an illustrative case study.

The Political-Economic Context

Before discussing the structure and trajectory of the Cleveland Model it's important to contextualize the political-economic environment within which it was born and continues to develop. The Great Recession (2007-09) saw median net worth fall by nearly 40% in America (Bricker et al. 2012), and inequality actually increased during the ongoing "recovery" period. If we broaden our historic lens to the post-World War II era, inequality in America began expanding in earnest in the late 1970s (Saez 2013). From the perspective of democratic theory, it becomes important to understand the nuanced impact of inequality on public policy. It becomes imperative to understand whether wealthy Americans have more influence over public policy than less affluent Americans,⁴ and, importantly, if the policy views of the affluent differ significant from the less affluent; and, if so, do those differences prevent more equitable development in distressed communities? Understanding these questions is important if we hope to understand the broad-based public policies needed to address our major socioeconomic problems (e.g. high unemployment, inequality, low social mobility, and innovation to address major global challenges such as climate change).

⁴ The mechanisms for exerting influence include center around the U.S. campaign finance system and also include lobbying, the development of legal groups, think tanks, and "Astroturf" advocacy organizations, and, at the state level, the creation of ballot initiatives, the use of influence over judicial elections, and the crafting of sample legislation.

Political science has made notable inroads in addressing these questions, and scholarship increasingly indicates that as inequality has grown, federal government policy has indeed corresponded much more closely with the policy preferences of affluent Americans than with the preferences of low- and even middle-income citizens (Gilens 2012). Furthermore, this shift has taken place despite a majority of Americans being both aware of the growing inequality gap and disproportionately considering it a “bad thing” (Drake 2013). And while data remains sparse on the specific policy opinions of the most affluent (e.g. the top 1% and, even more importantly, the top .01% of income earners) pilot study data suggests that the top 1 percent or so of US wealth-holders are exceptionally active politically, are much more conservative than the rest of the nation when it comes to many core economic policies (e.g. taxation, economic regulation, and social welfare), and that the top .01% may hold even more conservative economic views (Page, Bartels, and Seawright 2013).

Figure 2: “Support for Job and Income Programs among the Wealth and General Public”

Job and income programs		
	% wealthy in favor	% general public
Government must see that no one is without food, clothing, or shelter	43%	68%
Minimum wage high enough so that no family with a full-time worker falls below official poverty line	40%	78%
The government should provide a decent standard of living for the unemployed	23%	50%
The government in Washington ought to see to it that everyone who wants to work can find a job	19%	68%
The Earned Income Tax Credit (EITC) [described] should be increased rather than decreased or kept the same	13%	49%
The federal government should provide jobs for everyone able and willing to work who cannot find a job in private employment	8%	53%

Credit: Page, Bartels, and Seawright

This raises serious questions about whether the political responsiveness required for public policies that promote widely shared wealth and widely shared sustainable living can be realized if (a) the wealthiest Americans do in fact yield disproportionate influence over public policy, and (b) if this group’s core economic views, which impact the nation’s ability to respond

to these pressing concerns, actually tends to promote further consolidation of wealth and income while failing to internalize the values of ecological sustainability and greater socioeconomic equality that the broader American population desires.⁵

The Cleveland Model

The Cleveland Model was incubated in this context of growing inequality and its varied impacts on distressed communities. Cleveland, once the nation's 5th largest city by population, has a poverty rate above 30 percent and a population that has declined from 900,000 to less than 400,000 since 1950 (U.S. Census Bureau, "Cleveland QuickFacts" 2013). In 2009, Cleveland ranked second among major American cities in lowest median income, behind only Detroit (Iuviene, Stitely, and Hoyt 2010). The Evergreen initiative was officially launched in 2008 within this context, and is currently made up of three major cooperative businesses: the Evergreen Cooperative Laundry, launched in October 2009 (ECL provide industrial-scale, energy-efficient laundry services), the Evergreen Energy Solutions, also launched in 2009 (E2S designs/installs/maintains solar panels as well as providing energy efficiency and home performance services), and, most recently, the Green City Growers Cooperative, launched in February 2013 (GCG grows sustainable, high-quality fresh produce year-round via a large hydroponic greenhouse, making it the largest urban food production facility in America).



⁵ It should be noted that in the study of the wealthy referenced here, self-identified "professionals," mostly lawyers and doctors, were quite unique in their support of environmental protection. These professionals made up approximately 24 percent of wealthy respondents surveyed.

Credit: Evergreen Cooperatives

Additionally, a non-profit community newspaper, *The Neighborhood Voice*, was established to promote cooperative values in and around the Cleveland areas as well as online.

The Evergreen Cooperative initiative was founded on the principles of the “living wage” movement⁶ (Sonn and Luce 2008), which has gained significant momentum as of late with the growing fast food and Walmart workers’ movements, as well as basic principles of employee and neighborhood asset building, examples of which include community credit unions, worker-owned cooperatives, participatory budgeting, and public and cooperative utilities (Alperovitz and Bhatt 2013). Evergreen is based in six low-income neighborhoods in the Greater University Circle area of Cleveland (43,000 residents with a median household income below \$18,500) (Evergreen 2014), an area marked by limited retail and service stores, high unemployment rates, low educational attainment, and limited employment options. Although it was launched in 2008, the Cleveland Model has its origins in the 2005 launch of the Greater University Circle Initiative, catalyzed by the Cleveland Foundation (the world’s oldest community foundation) with the participation of some of Cleveland’s major “anchor” institutions: the Cleveland Clinic, Case Western Reserve University, the University Hospitals, and the Veterans Administration Medical Center.

Regionalism and Anchor Institutions

A key development issue for the Evergreen Cooperatives is the tension between neighborhood economics and regional markets. Development scholars such as UC Berkeley’s Michael Tietz often discuss the futility of attempting economic development at the neighborhood

⁶ The living wage movement is based on the principle that no one who works for a living should be poor, and involve rules that set a wage level below which certain employers cannot pay their workers. The most well-known example of a “living wage” policy is the federal minimum wage, but living wage ordinances have come in a variety of forms in different cities around the nation.

level, arguing that neighborhoods are better thought of as social communities as opposed to independent economic communities. Why? Typically, neighborhoods are so dependent on city and regional dynamics (e.g. labor, housing, etc.) that their ability to be effective development agents on their own, say, by creating jobs directly, is very limited. Neighborhoods are therefore vulnerable economic agents whose development abilities are shaped in large measure by city and especially regional dynamics (Tietz 1989, 111).

The Cleveland Model was developed with this city-and-regional perspective in mind. In addition to the central role of the Cleveland Foundation, it was launched with the support of the city of Cleveland Government, the Democracy Collaborative at the University of Maryland, and the Ohio Employee Ownership Council, with the goal of leveraging a pair of development tools in the effort to scale up and remain sustainable. First, the initiative was designed to integrate its business operations into existing local anchor institutions (“eds and meds,” e.g. the Cleveland Clinic and Case Western Reserve University). Second, it was designed to take advantage of growing interest and support for local green economies and jobs in publically-supported anchors (e.g. hospitals and universities) as they aim to reduce their carbon footprints (Howard 2012).

This focus on anchor institutions, green economies, and the fundamental model of building a network of cooperative, worker-owned businesses constitute three of the five “strategic pillars” that Democracy Collaborative Executive Director Ted Howard says undergird the Evergreen initiative. The other two, which are related (by design), are “linking the entire effort to expanding sectors of the economy (e.g. health and sustainable energy) that are recipients of large-scale public investment” and “developing the financing and management capacities that can take this effort to scale.” As Howard put it more colloquially, the goal with the Evergreen

initiative is to “move beyond a few boutique projects or models to have significant municipal impact” (Howard 2012, 211).

Financing

Apart from a focus on regional dynamics, development scholars also highlight the structural importance of capital for small and microbusinesses, both for startup and for expansion (Servon 2010). In the case of the Cleveland Model, initial capital support came mainly from multi-million-dollar investments from the federal government (particularly the U.S. Department of Housing and Urban Development, or HUD, and specifically Section 108 loans, as well as New Markets Tax Credits, or NMTC, from the Treasury Department) as well as the Cleveland Foundation and other institutional players in Cleveland (including the City of Cleveland itself). Nearly all of the initial financing for the Cleveland Model (\$27 million had been invested through 2012) came in the form of debt, which is not unusual for such community-based efforts.

The focus of the “financial and management” pillar involves each of the other four pillars, particularly the leveraging of the financial flows of anchor institutions and the training workers to have ownership and equity stakes in order to promote workforce/workplace stability. This has the effect of promoting place-based as well as people-based development, with a core focus on establishing for-profit enterprises that can sustain themselves (but which begin with substantial public and philanthropic “seed” money/capital). The emphasis on “for profit” structures is important in light of the challenges low-income urban areas have faced in recent decades, as federal funds for certain community economic development endeavors have declined

substantially. This is particularly true with Community Development Block Grants (CDBG),⁷ of which Section 108 is the loan guarantee provision (Abravanel, Pindus, and Theodos 2010).⁸

People-Based Development

“People-based” development is fundamental. Part of the appeal and promise of the Evergreen initiative is the importance it places on bottom-up economic development (“starting where the workers are”) rather than the common approach of offering public subsidies to largely corporate businesses to induce them to bring what are often low-paying jobs into a city or region. Rather than focusing on workforce development strategies that involve filling more skilled jobs that are largely unavailable to the low-skill and low-income workers, the Evergreen initiative “first creates the jobs and then recruits and trains local residents to take them” (Howard, Kuri, and Lee 2010). To this end, Towards Employment and Employment Connections, two local nonprofits specializing in workforce development, were hired to recruit Evergreen employees through churches and other local networks.⁹

Current Developments

⁷ The Community Development Block Grant (CDBG) program provides communities with resources to address unique community development needs. The CDBG program was started in 1974 and is one of the longest continuously run programs at HUD.

⁸ Total appropriations (and foregone taxes) for community economic development reached a high point in the mid-1970s, and varied from \$9 billion to almost \$14 billion through the early 1980s. Funding declined through the 1980s before climbing in the early 1990s. These programs accounted for about \$12 billion annually through the mid-2000s, though programs like Low Income Housing Tax Credits (LIHTC) have taken up a larger share of federal development dollars since their inception in the 1990s.

⁹ Like Mondragón, Evergreen did not downplay the importance of hiring technical/management expertise to launch and operate the initial cooperatives as well as its nonprofit corporation, development fund, land trust, and business services operations.



Credit: Evergreen Cooperatives

In a May 2013 report prepared for the Cleveland Foundation, researchers at Cleveland State University noted that Evergreen Cooperative Laundry (ECL) diversified its client base in 2012 by reaching out to nursing homes and hotels, and that while it has increased its business volume it has not yet achieved profitability. Key concerns for the laundry cooperative include gaining access to traditional funding, sizing an appropriate workforce for the total pounds of laundry the cooperative handles, and continuing the training/education of employee-owners to aid efficiency (Clouse et al., 5-6).



Credit: Evergreen Cooperatives

Evergreen Energy Solutions (E2S) is closing in on the “break even” benchmark for self-sufficiency due to the expansion of its services beyond solar panel installation and maintenance and into energy efficiency and home performance services. Employee-owners may thus receive money in their capital accounts for the first time. The goal for E2S is to build up to two crews of six people and to increase the per-kilowatt totals of each crew as they become more efficient. However, a key danger for E2S is the ongoing threat of repeal of Ohio SB221, the clean energy bill passed under a Democratic governor that mandated that a certain percentage of renewable energy be generated “in state” (Clouse et al., 7).



Credit: Lisa DeJong/The Plain Dealer

The Green City Growers Cooperative (GCG), which launched in 2012, is also nearing a break-even point as its first harvest of specialty lettuce and herbs is harvested and sold. GCG necessitated the involvement of the Evergreen Real Estate Corporation (owned by the Evergreen Cooperative Corporation), which now owns the land on which the 10-acre urban greenhouse sits

(making it the largest urban food facility in America).¹⁰ CEO Mary Donnell has indicated that although some retail and wholesale clients are already in place to purchase GCG crops, the goal is for half of the inventory to be sent to local grocery stores and half to “institutional” food services, including some that contract with the local anchor institutions. GCG plans produced three million heads of lettuce a year, which is particularly impressive given that nearly all lettuce currently consumed in the Cleveland area, is trucked in from two states: Arizona and California. Each truckload worth of lettuce thus helps save more than 2,000 miles of transportation costs and the associated ecological impact while simultaneously providing clients with a produce product with a longer shelf life (Clouse et al., 7).

In terms of employee-worker demographics, ECL employed 27 workers in 2012. Typically older males, twenty-four were African American, only two had associates degrees (none had college degrees), and only eight were homeowners. Only six received government support, and almost half reported no or less-than-fulltime employment before joining the cooperative. Notably, only two employee-owners lived in the six neighborhoods targeted by the Evergreen initiative, a pattern that helped lead to the launching of the Evergreen Housing Program, which works with a local nonprofit housing developer to provide affordable housing and aid in employee retention. E2S grew to 13 employees in 2012. In terms of education, one had an associate’s degree, six were African American, six were Latino, and only two received public subsidies. Only two employees lived in the six target neighborhoods. Again, gender remains a concern; all but one employee at ECL were male (Clouse et al., 8). These figures indicate the diversity of the ECL workforce, the challenge of locating workers close to the

¹⁰ This is because New Markets Tax Credits (NMTC) cannot be used for farming.

cooperative's business operations, and Evergreen's broader focus on providing jobs up to the existing skill and education level of low-income residents.

Cooperatives in Periods of Recession and Depression

Circling back to the “bigger picture,” a central concern is whether large-scale employee-ownership can be competitive in the context of the existing market economy (especially in light of the global economic downturn); and, if not, whether the prevailing market economy requires changes to allow models like Cleveland to achieve greater scale. In an examination of trends and potential for cooperative businesses in the global economy, Stephen Smith and Jonathan Rothbaum of George Washington University suggest that the cooperative can indeed contribute to solutions to the key socioeconomic challenges of unemployment, inequality, educational mobility, and innovation. The authors argue that the single most important solution to the aforementioned socioeconomic problems is finding “ways to provide stable jobs that provide better wages and a higher quality of life for workers” (Smith and Rothbaum 2013, 2). Smith and Rothbaum use empirical, comparative data to note that inequality increased in 17 or 22 OECD nations between 1985 and 2008, and that during periods of downturn cooperatives experienced faster rates of employment growth than the respective national economies as a whole (Smith and Rothbaum 2013, 4). Such data points to the viability of worker-ownership during periods of recession and downturn.

Smith and Rothbaum also analyzed data from recent years, including the Great Recession, and found much the same pattern. In Italy, which has carried out particularly harsh austerity measures in the wake of the global economic recession, employment in the cooperative sector grew 8% between 2007 and 2011 while employment in the economy as a whole stagnated. A similar pattern of “cooperative growth in times of high unemployment” was found in France

and Germany. A key feature and explanation of cooperative resilience in tough economic times is the focus on employment protection above wage protection; that is, cooperative wages have been shown to be more volatile than for other firms during harsh economic periods because cooperatives are less likely to lay off workers and more likely to cut wages instead (S. Smith and Rothbaum 2013, 5). Similar studies of Mondragón support this theme (Martin 2000; S. Smith 2003). In the U.S., meanwhile, cooperative formation peaked during crises in the 1880s and 1930s, the vast majority of which involved rescues or buyouts of failing existing firms. The Cleveland Model therefore deviates from this historical trend (it is starting from “scratch” so to speak) yet still falls squarely in line with Smith and Rothbaum’s broader analysis on cooperative growth during periods of sustained economic pain.

This last point bears additional scrutiny. Gar Alperovitz, a founding principle of the Democracy Collaborative and key academic contributor to the formation of the Cleveland Model, notes that the current economic downturn was preceded by multiple decades of stagnant wages for the majority of American workers and a related and dramatic decline in organized labor. However, this decades-long stagnation is unlikely to end in catastrophic collapse. One key factor is that the federal government is three times the size than it was in 1929 (the onset of the Great Depression), as measured by government spending as a percentage of GDP. Thus, federal spending provides a significantly higher floor for both markets and the public than in the past. It’s important to keep in mind that the U.S. now has built in “stabilizers” such as unemployment insurance and food stamps, though those programs are both small from a comparative “industrialized nations” perspective and also far from safe; consider, for example, the recent expiration of the recession-induced boost to Supplemental Nutrition Assistance Program (SNAP) benefits (G. Smith 2013).

In a sense, the Evergreen initiative and other American cooperatives are operating within an interesting and seemingly contradictory paradigm: on the one hand, political science research indicates that American public policy, particularly at the federal level, increasingly mirrors existing economic inequalities. Given the apparent views of the very wealthy, this would seem to damper hope for corrective policies to address the very socioeconomic concerns that a majority of Americans prioritize (Newport 2013). Yet at the same time, historical circumstances have left the U.S. in a period of prolonged economic pain, marked by high unemployment and unlivable wages, a pain that historical evidence suggests supports the growth and development of cooperatives and the workplace democracy and comparative advantages they foster (Smith and Rothbaum 2013, 8-11). The key point, then, is whether the policy openings provided by periods of economic pain are able to achieve enough momentum, and realize large enough scale, to reverse existing political-economic inequalities.

And just as development scholars contextualize the neighborhood economy in terms of assets/contributions to the broader regional economy (Tietz 1989, 118), cooperative scholars note the importance of cooperative leagues that help individual cooperatives cluster and remain viable in a regional setting (Smith and Rothbaum 2013, 10). The Cleveland Model is attempting to replicate this regional strategy by, among things, establishing a non-profit corporation to act as a research and development vehicle to help establish new cooperative businesses, all tied to the specific needs of area anchor institutions (Howard 2012, 212). This has led to the creation of the Evergreen Housing Program to help workers live near their businesses, a new furniture/equipment storage facility called E-Central, a materials recovery facility that is being negotiated with the City of Cleveland, and other additional “secondary” cooperatives that

provide support to the core cooperatives, such as a payroll and human resources administration. Another example is the already-mentioned neighborhood newspaper.

Mondragón

The most important example of cooperative-based regional development is Mondragón, an 80,000-person grouping of worker-owned cooperatives started in northern Spain in the 1950s. Mondragón is a federation of 110 cooperatives, 147 subsidiary companies, 8 foundations, and a benefit society with assets totaling €35 billion and revenues approaching €14 billion per year. Mondragón does not shy away from sometimes-exploitative labor practices, be in relation to its subsidiary companies or a sometimes less-than-stellar record of ecological activism (Alperovitz and Hanna 2013). These labor and ecological practices are primarily a consequence of competing in the dominant global market economy, and suggest some of the major problems associated with bringing a cooperative economic model to scale. However, Mondragón has also evolved a highly sophisticated participatory decision-making structure that has begun addressing these issues through changes to its structural design.

Importantly, Mondragón has helped bolster the Basque Region's economic health during the ongoing recession, and has done so via an equitable economic model. In most of Mondragón's cooperatives, the ratio of compensation between top executives and the lowest-paid members is between 3-to-1 and 6-to-1, while comparable domestic and transnational corporations typically have ratios of 250-to-1 or higher (Alperovitz and Hanna 2013). In 2009, when a quarter of all businesses in Spain failed, less than 1 percent failed in the Mondragón network (Kelly 2010).

A key development for Mondragón was the recently announced bankruptcy of Fagor Electrodomésticos, historically the most important unit of Mondragón in terms of profit and

assets. Fagor primarily produced “white goods” such as dishwashers, cookers, and other household appliances. The specific reasons for the bankruptcy are not especially surprising: Fagor experienced a 37% slump in sales since 2007 resulting mostly from Spain’s economic crisis and housing collapse. It’s worth noting that even in this circumstance, the benefits of economic democracy¹¹ are apparent. For example, Mondragón announced that its internal insurance company, Lagun Aro, will pay 80 percent of Fagor salaries for up to two years and that Mondragón will try to relocate as many employees as possible within its cooperative network (Alperovitz and Hanna 2013).

There are, however, more important questions opened up by Fagor’s bankruptcy, questions that will shape the Cleveland Model and help determine its sectoral, regional and national impact. For one, can even advanced cooperative systems compete when they are challenged by serious economic stagnation on the one hand, and intense cost challenges by low-cost producers (e.g. China) on the other? Perhaps *the* key underlying development issue becomes more apparent here. That is, can existing markets in a capitalist context appropriately address the pressing issues of long-term economic stagnation and, centering back to ecological concerns, the potentially catastrophic dangers of climate change? And taking into account the historic failure of state socialism, what blend of direct planning and more controlled markets might work better? These larger questions, which this paper cannot possibly hope to address, touch on bigger issues of social movements and social change as well as many of the most central concerns of economic development, be they sectoral development, placed-based/regional development, and, in the case

¹¹ According to MIT’s Co-Lab, economic democracy can be defined as “a socio-economic arrangement where local economic institutions are democratically controlled. These economic institutions include business, finance, research and development, and education sectors... Cooperative businesses are one of the more natural firm types that fits within the model of economic democracy, be they worker, producer, consumer, or housing cooperatives” (Iuvienne, Stitely, and Hoyt 2010).

of the Cleveland Model, establishing economic institutions centered around what Alperovitz refers to as “joint community-worker cooperative structures” (Alperovitz and Hanna 2013).

Conclusion

The Cleveland Model may be the most robust ongoing American effort to enjoin the economic power of anchor institutions (and their growing ecological sensitivity) with the development goal of creating widely shared and more democratic asset and capital building in low-income neighborhoods. Like Mondragón, the Evergreen initiative internalizes the values of economic democracy, wherein economic institutions are democratically controlled. This model does not reject markets, but, in the words of MIT’s Community Innovators Lab (CoLab), “de-emphasizes the primacy of the profit- maximizing motive among economic decision makers” (Iuviene, Stitely, and Hoyt 2010). Cooperatives gained renewed interest in the U.S. during the recession of the 1970s and 1980s, and are enjoying renewed interest again today.

However, the current dominant model of employee shared ownership, employee stock ownership programs (ESOP), have often failed to give more substantive decision-making power to workers, and few American cooperatives have reached significant scale (in terms of employment/firm numbers as well as revenue) while staying viable in the long term. In the words of BRAC founder Fazle Hasan Abed, “Small is beautiful, but big is necessary” (Smith and Rothbaum 2013, 3). Whether the Cleveland Model and other budding American cooperative networks can eventually become- or pave the way for- an “American Mondragón” (and beyond) will depend both on the performance of their particular networks and on longer-term systemic planning around the issues of prolonged economic stagnation and the growing threat of climate change. Addressing these issues will, in turn, depend heavily on the responsiveness of public policy to the attitudes and demands of the American public. This paper suggests that more

economic democracy might well be a necessary prerequisite for, as well as a beneficiary of, such increased responsiveness.

REFERENCES

- Abravanel, Martin D., Nancy M. Pindus, and Brett Theodos. "Evaluating Community and Economic Development Programs A Literature Review to Inform Evaluation of the New Markets Tax Credit Program." The Urban Institute, September 1, 2010. Accessed December 6, 2013. <http://www.urban.org/UploadedPDF/412271-New-Markets-Tax-Credit-Program.pdf>.
- Alperovitz, Gar and Keane Bhatt. "What Then Can I Do? Ten Ways to Democratize the Economy." GarAlperovitz.org, September 2013. Accessed December 6, 2013. <http://www.garalperovitz.com/wp-content/uploads/2013/10/whatthencanido.pdf>.
- Alperovitz, Gar and Thomas M. Hanna. "Mondragón and the System Problem." *Truthout*, November 1, 2013. Accessed December 6, 2013. <http://www.truthout.org/news/item/19704-mondragon-and-the-system-problem>.
- Alperovitz, Gar, Ted Howard and Thad Williamson. "The Cleveland Model." *The Nation*, February 11, 2010. Accessed December 6, 2013. <http://www.thenation.com/article/cleveland-model>.
- Blasi, Joesph R., Richard B. Freeman, and Douglas L. Kruse. *The Citizen's Share: Putting Ownership Back into Democracy*. New Haven: Yale University Press, 2013.
- Bricker, Jesse, Arthur B. Kennickell, Kevin B. Moore, and John Sabelhaus. "Changes in U.S. Family Finances from 2007 to 2010: Evidence from the Survey of Consumer Finances." *Federal Reserve Bulletin* 98, no. 2 (2012): 1-80.
- Choi, Laura. "Addressing Widening Income Inequality through Community Development." *Community Investments* (Federal Reserve Bank of San Francisco) 23, no. 2 (2011): 2-7.
- Clouse, Candi, Ziona Austrian, Kathryn Hexter, Serineh Baboomian, and Joe Andre. "Living Cities Initiative: Cleveland, Ohio – Greater University Circle Community Wealth Building Initiative: Year 2 Programs & Project Report." *Urban Publications*. Paper 693. Accessed December 6, 2013. http://urban.csuohio.edu/publications/center/center_for_economic_development/LC_Programs_Projects_Report_Year2_final.pdf.
- Drake, Bruce. "Americans See Growing Gap Between Rich and Poor." Pew Research Center December 5, 2013. Accessed December 5, 2013. <http://www.pewresearch.org/fact-tank/2013/12/05/americans-see-growing-gap-between-rich-and-poor/>. Evergreen Cooperatives. "The Evergreen Cooperatives Story." Accessed April 6, 2014. <http://evergreencooperatives.com/about/evergreen-story/>.

- Gillis, Justin. "Climate Change Seen Posing Risk to Food Supplies." *New York Times*, November 1, 2013. Accessed November 2, 2013. <http://www.nytimes.com/2013/11/02/science/earth/science-panel-warns-of-risks-to-food-supply-from-climate-change.html>.
- Gilens, Martin. *Affluence and Influence: Economic Inequality and Political Power in America*. Princeton: Russell Sage Foundation and Princeton University Press, 2012.
- Hansen J, Kharecha P, Sato M, Masson-Delmotte V, Ackerman F, et al. "Assessing 'Dangerous Climate Change': Required Reduction of Carbon Emissions to Protect Young People, Future Generations and Nature." *PLoS ONE* 8, no. 12: 1-26.
- Howard, Ted. "Owning your Own Job is a Beautiful Thing: Community Wealth Building in Cleveland, Ohio." Investing in What Works for America's Communities, San Francisco, CA: San Francisco Federal Reserve, September 2012.
- Howard, Ted, Lillian Kuri, and India Pierce Lee. "The Evergreen Cooperative Initiative of Cleveland, Ohio: Writing the Next Chapter for Anchor-Based Redevelopment Initiatives." White Paper Prepared for The Neighborhood Funders Group Annual Conference (Minneapolis, MN), September 29-October 1, 2010. Accessed December 6, 2013. http://community-wealth.org/_pdfs/news/recent-articles/10-10/paper-howard-et-al.pdf.
- Iuviene, Nicholas, Amy Stitely, and Lorlene Hoyt. "Sustainable Economic Democracy: Worker Cooperatives for the 21st Century." MIT CoLab, October 2010. Accessed December 6, 2013. http://web.mit.edu/colab/pdf/papers/Sustainable_Economic_Democracy.pdf.
- Kelly, Georgia. "An Alternative to Cutthroat Capitalism." *Huffington Post*. October 12, 2010. Accessed April 6, 2014. http://www.huffingtonpost.com/georgia-kelly/an-alternative-to-cutthro_b_759546.html.
- Martin, Terence Henry. *The Impact of Worker Ownership on Firm-Level Performance: A Comparative Study*. PhD Dissertation, Yale University, 2000.
- Newport, Frank. "Americans Give Guns, Immigration Reform Low Priority; Creating Jobs and Growing the Economy Get Highest Priority." Gallup, May 7, 2013. Accessed December 6, 2013. <http://www.gallup.com/poll/162347/americans-give-guns-immigration-reform-low-priority.aspx>.
- Page, Benjamin I., Larry M. Bartels, and Jason Seawright. "Democracy and the Policy Preferences of Wealthy Americans." *Perspectives on Politics* 11, no. 1 (2013): 51-73.
- Saez, Emmanuel. "Striking it Richer: The Evolution of Top Incomes in the United States (Updated with 2012 preliminary estimates)." UC Berkeley. September 3, 2013. Accessed December 6, 2013. <http://elsa.berkeley.edu/~saez/saez-UStopincomes-2012.pdf>.
- Servon, Lisa J., Robert W. Fairlie, Blaise Rastello and Amber Seely. "The Five Gaps Facing Small and Microbusiness Owners: Evidence From New York City." *Economic Development Quarterly* 24, no. 2 (2010): 126-42.

- Smith, Gar. "The Next American Revolution Has Already Begun: Gar Smith Interviews Gar Alperovitz." *The Berkeley Daily Planet*, June 3, 2013. Accessed December 6, 2013. <http://berkeleydailyplanet.com/issue/2013-05-31/article/41114?headline=The-Next-American-Revolution-Has-Already-Begun-br-i-Gar-Smith-Interviews-Gar-Alperovitz-i->.
- Smith, Stephen C. "Innovation and Market Strategy in Italian Industrial Cooperatives: Econometric Evidence on Organizational Comparative Advantage." *Journal of Economic Behavior & Organization* 23, no. 3 (1994): 303-20.
- Smith, Stephen C. and Jonathan Rothbaum. "Cooperatives in a Global Economy: Key Economic Issues, Recent Trends, and Potential for Development." Institute for the Study of Labor (IZA), Policy Paper No. 68, September 2013. Accessed December 6, 2013. <http://ftp.iza.org/pp68.pdf>.
- Sonn, Paul K. and Stephanie Luce. "New Directions for the Living Wage Movement." In the *Gloves-Off Economy: Workplace Standards at the Bottom of America's Labor Market*, eds. Annette Bernhardt, Heather Boushey, Laura Dresser, Chris Tilly, 269-87. Ithaca: Cornell University Press, 2008.
- Tietz, Michael B. "Neighborhood Economics: Local Communities and Regional Markets." *Economic Development Quarterly* 3, no. 2 (1989): 111-22.
- United States Census Bureau. "Cleveland QuickFacts." 2013. Accessed December 6, 2013. <http://quickfacts.census.gov/qfd/states/39/3916000.html>.
- United States Census Bureau. "Supplemental Measure of Poverty Remains Unchanged." November 6, 2013. Accessed December 6, 2013. <http://www.census.gov/newsroom/releases/archives/poverty/cb13-183.html>.